



BUDGET BRIEFS

BUDGET HEARINGS

BEGIN

SUMMARY OF SENATE BUDGET AND FISCAL REVIEW (SBFR) HEARINGS:

- **FULL COMMITTEE, MARCH 1 – ORGANIZATIONAL HEARING**
- **SUB 1 (EDUCATION) FEBRUARY 28 – CAL GRANTS**
- **SUB 3 (HEALTH AND HUMAN SERVICES) MARCH 5 – HEALTHY FAMILIES EXPANSION**
- **SUB 4, (LEGISLATIVE, EXECUTIVE, PUBLIC SAFETY AND GENERAL GOVERNMENT) MARCH 5 – INSPECTOR GENERAL**

FULL COMMITTEE, MARCH 1 – ORGANIZATIONAL HEARING

MIKE GENEST, STAFF DIRECTOR

- ***Uncertainty of Revenues and Expenditures.*** The LAO reported that there is substantial uncertainty regarding this year's budget due to: (1) uncertainty regarding the direction of the economy and (2) uncertainty regarding how energy crisis related expenditures will ultimately affect the General Fund. The LAO substantially agrees with the DOF's January forecast. Due to the uncertainty, however, the LAO recommended withholding judgement on \$2.3 billion in one-time discretionary expenditures proposed in the Governor's Budget. The Committee reduced \$1.9 billion of these expenditures (exempting only health and safety related capital outlay) without prejudice. While many of these proposed one-time expenditures represent priorities for Republicans, the vote to eliminate them was unanimous. Subcommittees will consider restoring specific proposals based on their policy merit, although if revenues to support such expenditures are not available in May, they will have to be financed by reductions in other spending.
- ***Prioritizing the Surplus.*** The LAO advised that revised revenue estimates have reduced the amount of the budget "surplus" from \$10.25 billion (as estimated by the LAO in November, 2000) to \$8 billion. While the Governor's Budget has proposed spending all of the additional funds (except for a relatively small \$100 million for targeted tax reductions), the Legislature has yet to act on these proposals. Senate Republicans will be asking the subcommittees to fund the Joint Republican Caucus Budget Priorities, which include \$4.4 billion in expenditures and \$3.5 billion in tax reductions. To do so, it will be necessary to reject some or all of the Governor's proposals and/or to identify other areas in which spending can be reduced.

- ***Vacancies.*** Senator Ackerman presented the analysis of state vacancies that he and Senator Brulte had released earlier in the day. The Committee has yet to decide how to address the issues raised in the analysis, although there was discussion of a joint hearing of Sub 2 and Sub 4. Pending any budget-wide solution, Republican subcommittee members will propose specific reductions in departmental budgets as they come before the subcommittees, consistent with the analysis.
- ***Member Requests.*** Senator Peace announced that the Committee will develop a revised form in the near future for member requests. The form will clearly differentiate requests that are district-specific from those that represent general, statewide policy proposals. As soon as the new forms are available, the Senate Republican Fiscal Office will prepare separate requests for each of the Joint Republican Caucus Budget Priorities for submission by the Caucus to the appropriate subcommittee chair. We will also work with Senator Johannessen to ensure that district-specific requests are properly handled using the new form.

SUB 1 (EDUCATION) FEBRUARY 28 – CAL GRANTS

ROGER MACKENSEN, CONSULTANT

- ***Hastings College of the Law.*** The subcommittee approved as budgeted a \$748,000 augmentation proposed for Hastings College of the Law, including a \$573,000 to fund a 4-percent base budget increase and \$400,000 in lieu of a 4.91-percent student fee increase.
- ***California Postsecondary Education Commission.*** The subcommittee approved as budgeted a *net* General Fund augmentation of \$64,000 proposed for the California Postsecondary Education Commission (CPEC). Funding for the budget year includes \$300,000 in one-time funds to prepare an inventory of state-funded outreach programs for high school students.

In addition, CPEC requested a total of \$598,000 to fund three proposals that were not funded in the Governor's Budget. Each of the proposals was placed on the "checklist" for consideration at a future date when more information on resources is available.

- ***California Student Aid Commission.*** The subcommittee approved as budgeted a \$137.8 million increase for the California Student Aid Commission (CSAC), including the following:
 - \$127.9 million for new Cal Grant awards, pursuant to SB 1644.
 - \$9.5 million for state operations activities related to the new Cal Grant program.

Because of the uncertainty regarding participation in the new Cal Grant program, which is now an entitlement, the total amount needed for grant funding may increase or decrease substantially by the time of the May Revision.

SUB 3 (HEALTH AND HUMAN SERVICES) MARCH 5 - HEALTH FAMILIES EXPANSION 5

SHARON BISHOP, CONSULTANT

- **Healthy Families Program Expansion.** The Program was expanded to cover the parents of enrolled children and young adults (ages 19-20) and their parents, with income eligibility up to 250 percent of the federal poverty level. Monthly premiums and co-payments are likely to be lowered (below that proposed in the Administration's waiver request) at a future hearing. In addition, the Medi-Cal Program, which is an entitlement, was expanded by waiving the "asset test", eliminating the 10-day exception reporting requirement ("continuous eligibility" for 12 months); allowing "presumptive eligibility" in selected cases, and approving an "accelerated application" process, including allowing the "self-declaration" of income.
- **General Fund Backfill of Tobacco Settlement Funds.** The committee removed the \$150,346,000 in Tobacco Settlement Funds proposed for the Healthy Families Program in the budget year, and replaced them with General Fund monies. No proposals were offered on how to spend the special funds.
- **Growth in State Government.** Despite concerns and objections raised by Senator Haynes', the Subcommittee voted to augment the budget by \$143,587,000 General Fund, including funding for 26 new permanent state staff positions and over \$500,000 (total funds) to pay for MRMIB to move to a new, larger location to accommodate its bureaucracy.

SUB 4 (LEGISLATIVE, EXECUTIVE, PUBLIC SAFETY AND GENERAL GOVERNMENT) MARCH 5 - INSPECTOR GENERAL

DAVE HARPER, CONSULTANT

- **Vacancies.** Senator Ackerman raised the issue of a high vacancy note in the Office of the Inspector General. While the Inspector General admitted to playing "the shell game" and using funds for the non-authorized purposes, the committee (on a party line vote) approved an increase of 5 positions to the Inspector General's Budget. However, the committee held open another issue asking for approximately \$400,000 in facility operation costs, pending additional information from the Inspector General.
- The Subcommittee approved the budgets for the Youthful Offender Parole based and the Board of Corrections.

For further information, please contact the Senate Republican Fiscal Office, at (916) 323-9221.
